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Gentlemen:

You are notified that the Government considers your progress to date is endangering performance of subject contracts in accordance with their terms. Our concern was formerly expressed in the Government's message of 4 December 1975. As a result of the 4 December 1975 message, a meeting between representatives of [redacted] STATINTL Corporation and the Government was held on 18 December 1975. At the 18 December 1975 meeting, [redacted] STATINTL representatives confirmed the Government's belief that the contract performance schedules could not be met.

STATINTL Amendment No. 6 of Contract [redacted] and Amendments No. 5 STATINTL and 6 of Contract [redacted] were supplemental agreements which established a revised program schedule. The completion date of both contracts was changed from 30 August 1975 to 30 August 1976. During our meeting of 18 December 1975, [redacted] STATINTL representatives stated that the key milestone date for completion of O/S ASP is now projected for November 1976 in lieu of the May 1976 date established in the revised program schedule. This slippage translates into a projected six-month extension of the completion dates of subject contracts. Such slippage is not acceptable to the Government. It is important to note that the November 1976 projected date for the completion of O/S ASP is based upon [redacted] STATINTL delivering a system which is not in accordance with the requirements of the contracts. [redacted] position in this regard is also considered STATINTL grounds for default termination. The areas of issue are as follows:

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a. [redacted] is required to provide the Mass Storage System with a capability such that a stand-alone Storage Control Processor (SCP) can access a Transport Driver (TD) for the purpose of initializing a TBM tape while the system is also performing its normal production functions.

b. The Mass Storage System consists of five basic hardware modules. A standard configuration allows for two (2) Storage Control Processors, two (2) External Data Channel Processors, up to six (6) Transport Drivers, up to thirty two (32) Dual Transport Modules and up to three (3) Read/Write Data Channels. Each SCP shall be switchable to any Transport Driver. Any Transport Driver shall be capable of exercising control over any Data Channel and any Dual Transport Driver Module within a standard configuration through the switching matrices. Each EDCP shall be switchable to any Read/Write Channel.

c. Access to the private disks of the Mass Storage System must be provided by disk control units that are shared among the SCP's and EDCP's.

d. Functions must be split and/or shared between the two Storage Control Processors.

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[redacted] did not present any evidence to reflect their position that the items mentioned above were not required by the contracts. If [redacted] should concede that these items are required, the completion dates of the contracts would have to be extended even further.

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The Government also considers the [redacted] PSAT demonstration as a strong indicator of lack of progress. The [redacted] PSAT failed because of deficiencies in both the hardware and software. Although the [redacted] PSAT was a minimal exercise, the failure encountered prevented the Government from testing all functions originally planned. In assessing your position regarding the results of PSAT, the Government disagrees with some of your statements concerning functions which should not have been tested at PSAT because they were either recovery related functions as specified in Section 6 of the Mass Storage System Design Specifications, or that they were simply not considered a part of the Release 1 software. In summary, the Government does not share your optimism as to what the [redacted] PSAT demonstrated as far as your progress is concerned.

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There are indications of problems with regard to the Mass Storage System hardware associated with tally track processing. For each tape block the tally track contains the following information: date of last activity, read and write count, last operation, read only interlock and error counts. To date we do not have any documentation which shows the status of this hardware.

The Government is not aware of any excusable delays with respect to your failure to perform within the requirements of the schedules of the contracts. Therefore, unless the contractor can demonstrate that the conditions cited above can be cured within ten (10) days after receipt of this letter, the Government may terminate subject contracts for default under Article 14 of Section E of the General Provisions of Contract [redacted] and Article 13 of Section B of STATINTL the General Provisions of Contract [redacted]. The rights and STATINTL remedies of the Government provided for in the aforementioned articles are not exclusive but are in addition to any other rights and remedies provided by law or under the contracts.

The Government acknowledges receipt of your letter dated 23 December 1975 wherein you stated that your presentation of 18 December 1975 was not to be considered your formal position in response to the Government's message of 4 December 1975. However, due to the seriousness of the situation as we view it, it is considered necessary to issue a formal cure notice at this time.

Very truly yours,

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[redacted]
Contracting Officer

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1. You are herewith advised that the Government
considers that performance by [redacted] under Contract
[redacted] is unsatisfactory and
not in accordance with Contract performance requirements.
Specific items of concern which indicate failure to make
adequate progress or to perform in such a manner as to
indicate any likelihood of successful completion of the
Contracts within the required timeframe include the
following:

a. The first item concerns your failure to pass
the [redacted] Preshipment Acceptance Test (PSAT)
held during the period from 19 November 1975 to
25 November 1975. We are taking this opportunity
to officially advise you of this failure. The
Government considers the PSAT failure to be of
such significance that the probability of your
successful completion of the TMS-2 Program within
the contractually required timeframe is extremely
low. While the nature of some of the individual
failures were not too significant from an overall
program viewpoint, these failures are significant
in that they have occurred after more than two
years of development effort. The general pattern
of failures of both hardware and software when
combined with two especially serious types of
failures establishes the fact you are failing
to make adequate progress so as to endanger per-
formance under the aforementioned Contracts.

These two serious failures are the inability of the Mass Storage System to move some files from disk to TBM tape and the inability of the system to move some files from the TBM tape to disk. The specification and the system design assume the latter problem will occur once for each 3.75 billion characters of data. The test results showed a rate of 25 occurrences for each 3.75 billion characters. It is estimated that this error rate could result in a loss of at least 70 files every day based on our current system environment.

b. The Government is also concerned over a series of problems that were discovered at the October Management Review Meeting. Our greatest concern is that the current design appears to deviate from the contract specifications. These problems are summarized below:

There is an inability to concurrently access individual Transport Drivers from both Storage Control Processors;

The stated maximum hardware configuration of 6 Transport Drivers, 64 Tape Transports, 3 Data Channels, and 6 External Data Channel Processors does not have a "perfect switching" capability;

A Storage Control Processor requires a dedicated disk controller to access the Mass Storage System's private files;

Functions are not split and/or shared between the two Storage Control Processors.

c. Another area of concern is your apparent inability to judge the extent of your accomplishments and to estimate future schedules. The original September 1975 date for the [redacted] PSAT indicated that in June 1975, just three months prior to the event, [redacted] management was unaware of the status of its mass storage system from the view of both hardware and software. Three weeks before the September test was to start, [redacted] rescheduled the test to start in mid-November. Although the test was held in accordance with [redacted] revised schedule, the system was not ready for testing. Events have proven that in June 1975 [redacted] could not predict

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what the state of the system would be just three months later. Then in August with the benefit of additional time [redacted] was still unable to correctly project a realistic schedule for the same events. Because of your record in scheduling, the Government now has serious doubts about the validity of your overall schedule projections.

2. While this communication should not be construed as a formal cure notice in accordance with the termination provisions of the aforementioned Contracts, you are hereby put on notice that termination for default action is seriously being considered by the Government. In view of the magnitude of the problems discussed herein, the Government considers that the routine monthly management meeting presently scheduled for 11 December 1975 is inappropriate. Instead, [redacted] management should be prepared to discuss the current status of the TMS-2 Project in terms of this message. Contractor representatives should be prepared to discuss their failure to make progress in the prosecution of the work under the Contracts such that performance is endangered, the reasons for their failure to make adequate progress, and any possible plans for correcting such failure.

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3. The Government proposes that a meeting with [redacted] be held at its Washington, D. C., location as soon as possible but no later than 18 December 1975 to discuss this matter. Please contact [redacted] to establish the date and time for our meeting.

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[redacted]
Contracting Officer

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